

# City of Detroit

## CITY COUNCIL

IRVIN CORLEY, JR.  
FISCAL ANALYST  
(313) 224-1076

FISCAL ANALYSIS DIVISION  
Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 218  
Detroit, Michigan 48226  
FAX: (313) 224-2783  
E-Mail: cc-fiscal@ci.detroit.mi.us

ANNE MARIE LANGAN  
ASSISTANT FISCAL ANALYST  
(313) 224-1078

TO: COUNCIL MEMBERS

FROM: Irvin Corley Jr., Director *ICJ*

DATE: July 25, 2007

RE: Audit of the Fire Department – March 2007

Council Member Watson asked that the Fiscal Analysis Division comment on the recently completed audit of the Fire Department for the period of July 1, 2004 through June 30, 2006, as it relates to a 35% collection rate of Emergency Medical Services (EMS) revenues. The following comments are offered in response to the Council Member Watson's request.

On page 6 of the Auditor General's report the following statement is made:

"During the two years of the audit period (July 1, 2004 to June 30, 2006), a total of \$75.2 million was billed for EMS services while only \$26.5 million or 35.2% of the billings were collected. After subtracting the contractually mandated allowances, the uncollected balance was \$25.2 million or 33.5% of the billings."

It is my understanding that this 33.5% - 35.2% collection rate results from the limited collection efforts made on EMS billings and the loss of revenue from third party reimbursement.

The current policy followed for collection of the EMS billings is for the contractor (AccuMed Billings) to issue the original bill for service, with three follow up notices at 30, 60, and 90 day periods. After the original billing and three follow up notices not additional efforts to collect are made.

Even with a more aggressive collection effort, 100% of the bills will not be collected. Medicare and Medicaid do not pay the full amount billed but rather have established rates for the service provided. Many third party payers do not pay the full amount either. So a portion of the billings not paid by Medicare Medicaid and third parties will be lost even with an improved collection effort. This loss could be in the area of 1/3 of the total billings or half of the uncollected amount. The Fire Department should be able to provide Council with the actual amount lost due to lower third party reimbursements.

Council should request that both the Fire Department and Finance Department recommend to Council improved collection efforts that would be both cost effective and sensitive to the ability to pay of those receiving EMS service.

cc: Council Divisions  
Loren Monroe, Auditor General  
Roger Short, Chief Finance Officer  
Tyrone Scott, Fire Commissioner  
Kandia Milton, Mayor's Office